

Message Text

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43

ACTION EB-07

INFO OCT-01 ARA-06 ISO-00 AID-05 CIAE-00 COME-00 FRB-03

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FM AMEMBASSY SANTIAGO

TO SECSTATE WASHDC PRIORITY 7194

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EO 11652: N/A

TAGS: EFIN, EAGR, CI

SUBJECT: INCREASE IN CHILE'S WHEAT IMPORT REQUIREMENTS FOR 1976

1. SUMMARY: CHILE'S WHEAT IMPORT REQUIREMENTS WILL BE RAISED FROM 500 THOUSAN TO 600-650 VQOUSAND TONS, ACCORDING TO GOC SPOKESMEN, AT AN ADDITIONAL FOREIGN EXCHANGE COST OF \$20-30 MILLION. EMB, HOWEVER, ESTIMATES ABOUT 750,000 TONS. ALL SUCH ESTIMATES DEPEND ON HARVEST IN CHILE'S SOUTHERN "WHEAT BASKET" WHICH WILL NOT BE COMPLETED UNTIL LATE APRIL. END SUMMARY.

2. EXPLANATIONS FOR THIS YEAR'S SHORTFALL DIFFER WIDELY. MINAG PUBLICALLY ASCRIBES BLAME TO WIDESPREAD CROP DAMAGE STEMMING FROM NEW WHEAT VIRUS, AS WELLL AS TRADITIONAL PESTS AND INFECTIONS. HOWEVER, ASSUMING THAT AS YET UNHARVESTED AREAS REMAIN SUBSTANTIALLY UNAFFECTED, MINAG SAYS THAT 1976 WHEAT CROP SHOULD BE ABOUT THE SAME AS THE YEAR BEFORE. WHEN ASKED ABOUT THIS APPARENT INCONSISTENCY, MINAG EXPERTS REMINDED AGATT THAT THERE HAS BEEN CROP DAMAGE OF THIS KIND BOTH THIS YEAR, AND LAST, AND THAT THIS YEAR'S IS NO WORSE THAN LAST.

3. BY ASCRIBING THIS YEAR'S LOWER CROP TO VIRUS DAMAGE, MINAG,
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WE BELIEVE, WAS ATTEMPTING TO BACK OFF FROM ITS EARLIER HIGH

ESTIMATE FOR 1976 MADE AFTER THE 1975 WHEAT PLANTINGS, WHEN IT PREDICTED A CROP OF 1.3 MILLION TONS, ALMOST 300,000 TONS HIGHER THAN ITS 1.05 MILLION TONS ESTIMATE FOR THE 1975 HARVEST. ON THIS BASIS, MINAG PREDICTED AN IMPORT REQUIREMENT OF 500,000 TONS FOR 1976.

4. MINAG IS NOW CLAIMING THAT THE 1976 CROP WILL BE ABOUT THE SAME AS 1975, OR 1.05 MILLION TONS, WITH AN IMPORT REQUIREMENT OF 600-650 THOUSAND TONS. OTHER SOURCES CLAIM THAT THE 1976 CROP WILL BE SMALLER, AGATT ESTIMATES ABOUT 900,000 TONS. MAKING ALLOWANCE FOR POPULATION GROWTH AND SOME INCREASE IN STOCKS, AGATT ESTIMATE FOR CY 1976 IMPORT REQUIREMENTS IS 750,000 TONS, ABOUT 100-150 THOUSAND MORE THAN MINAG'S LATEST ESTIMATE, AND 250 THOUSAND TONS GREATER THAN ITS ORIGINAL ESTIMATE.

5. WE BELIEVE THAT UNDERLYING CAUSES FOR DECLINING PRODUCTIVITY, FROM WHICH MINAG IS ALSO TRYING TO DIVERT ATTENTION, INCLUDE REDUCED APPLICATIONS OF PESTICIDES AND FERTILIZERS, AND THE USE OF RETAINED SEEDS, RATHER THAN NATURAL PHENOMENA. STATISTICS OF THE LOCAL AGENCY SUPPLYING FERTILIZER TO THE FARMERS INDICATE THAT SALES OF FERTILIZER APPROPRIATE TO USE ON WHEAT LAND FELL PRECIPITIOUSLY IN 1975, ABOUT 50 PERCENT BELOW 1974 LEVELS. WHEAT SEED SALES WERE DOWN BY 30 PERCENT, INDICATING THAT FARMERS WERE USING RETAINED SEEDS MORE SUSCEPTIBLE TO DISEASE, AND WHICH AFFORD LOWER YIELDS. HIGHER COSTS, INCLUDING CREDIT, AND UNCERTAINTY ABOUT THE RELATIVE PRICES WHICH FARMERS COULD OBTAIN FOR WHEAT ARE THUS AT THE BASE OF CHILE'S DECLINING WHEAT PRODUCTION.

6. FOR COMPLETE DATA ON SUPPLY AND DISTRIBUTION AND WHEAT IMPORTS SEE AGR. REPORT CL 5086 OF NOV 10, 1975 AND CL 6008 AIR POUCH FEB 13.
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Message Attributes

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